

REQUEST FOR APPROVAL

To: Mark Leary
Deputy Director

From: Howard Levenson
Assistant Director

Request Date: March 10, 2010

Decision Subject: Approval of a Recycling Market Development Zone Loan for Envision Plastics Industries, LLC (Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2009/10)

Action By: March 18, 2010

Summary of Request:

This memo requests approval of a Recycling Market Development Zone (RMDZ) loan to Envision Plastics Industries, LLC which is located in the Chino/Chino Hills RMDZ. If approved, this will be the second RMDZ loan to the business. This loan project meets the required eligibility criteria established in September 2008 to receive loan funding. The loan application was approved by the Loan Committee on March 4, 2010. If approved by the Deputy Director, this loan will be funded from the Recycling Market Revolving Loan Subaccount, Fiscal Year 2009/10.

Recommendation:

Staff recommends approval of this RMDZ loan, subject to the conditions and directions specified below in "Deputy Director Action." This project is expected to further increase both local and regional diversion efforts, as well as increase employment and local revenues.

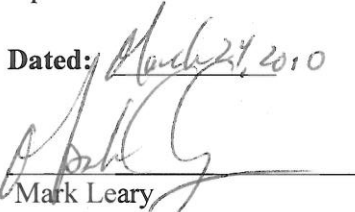
Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve a Recycling Market Development Zone loan totaling five hundred fifty thousand dollars (\$550,000):

Envision Plastics Industries, LLC.....\$ 550,000

I further direct staff to prepare and execute the loan agreement and to conduct all other acts necessary to fund this loan. The funding of the loan is subject to all terms and conditions contained in the loan agreement to be prepared by loan program staff in accordance with applicable regulations, and on such other terms and conditions as the Department of Resources Recycling and Recovery (CalRecycle) or its duly authorized staff representative in its or their sole discretion deems necessary or advisable.

Dated: March 24, 2010


Mark Leary
Deputy Director

Background Information, Analysis, and Findings

(1) General Background

The purpose of the Recycling Market Development Zone Loan Program (Loan Program) is to provide low-interest loans to private businesses and not-for-profit organizations to increase diversion of non-hazardous solid waste from California landfills and to promote market demand for secondary and postconsumer materials. Funding levels for the Loan Program are authorized by Statute in Public Resources Code, Section 42023.1.

In accordance with established procedures, all loan applications are reviewed and evaluated to ensure that the project meets current eligibility criteria and has obtained or is in the process of obtaining required permits as determined by other pertinent CalRecycle programs. The Loan Committee then considers the fiscal soundness of the proposed loan and approves or declines the loan request. Upon conclusion of this process and Loan Committee approval, a commitment to approve and fund a loan is made by CalRecycle senior management staff.

- **Project Eligibility Criteria** for the RMDZ Loan Program were approved by the California Integrated Waste Management Board in September 2008. Staff has reviewed the application and found that it is consistent with the established criteria. The project proposed by Envision Plastics Industries, LLC (Envision) qualifies as a *recycling project* that produces a recycled-content raw material/feedstock for use by other manufacturers who can further reprocess the raw material into other finished products.
- **Interdivisional Reviews** were performed by the following divisions:
 - The Budgets Office confirmed that there are sufficient monies allocated for the current fiscal year to fully fund the loan.
 - Legal counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the loan project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to this loan.
 - Waste Compliance and Mitigation Program staff reviewed the proposed project and visited the business site. According to staff, no solid waste permit is required as the business's primary function is to manufacture plastic resins from post-consumer and post-industrial plastic waste that is already separated for reuse.
 - Local Assistance and Market Development Division staff reviewed the project and based on the information provided in the jurisdictions' Source Reduction and Recycling Elements, the plastic waste material that will be used as feedstock for this project is normally disposed of in California landfills.
 - Statewide Technical and Analytical Resources Division staff reviewed the project and also visited the business site. According to staff, the business is buying standard equipment that is widely used in the U.S. and there are few competitors in California for plastics 3 to 7 grades. The market for the end product could be attractive, especially for plastics in types 4 and 5 grade.

The **Loan Committee** will consider the loan application on March 4, 2010. The review will include an evaluation of the overall loan structure, the ability of the business to repay, and the collateral proposed to secure the loan. The Loan Committee decision will be publicly announced at the Materials Management and Local Assistance Program Public Workshop scheduled for March 10, 2010.

(2) Loan Description

Envision Plastics Industries, LLC (Envision) was purchased in October 2001 by its two principal co-owners, Parham Yedidsion and Dr. Massoud Forouzan Rad. Core manufacturing activities at this plastics recycling facility are shredding, washing, color sorting, separating, compounding, granulating and pelletizing plastic waste material. Feedstock material is post-consumer, post-industrial and post-commercial plastic. Feedstock suppliers include local municipalities, material recovery facilities, plastic brokers, and other private plastic manufacturers. Basic end products produced are plastic flake and pellets. The product is shipped to customers who produce other finished products such as plastic lumber, railroad ties, garden accessories, traffic safety devices and transport packaging. Envision has been successful in the plastics manufacturing industry. Keys to Envision's success are its extensive product knowledge, positive relationships with their feedstock suppliers, fair but profitable pricing structure reflective of current market pricing, timely delivery of customer orders, and its ability to efficiently process both post-consumer and post-industrial resin at a lower cost to the end user.

Mr. Yedidisian and Dr. Rad also own and manage two other plastic manufacturing companies: Ecoplast Corporation established in 1991 (two sites in Los Angeles and Pomona); and Parmas Holdings, Inc., d.b.a. Envision Plastics, which was also established in 2001 and located in Reidsville, North Carolina. Mr. Yedidsion has been involved in the plastic recycling industry for almost 20 years. He oversees the financial and marketing oversees general production activities, equipment maintenance, and other financial aspects of Envision.

If approved, this will be the second RMDZ loan made to Envision. The first loan to the business was made in 2003 in the amount of two million dollars. Loan proceeds were used to purchase equipment and working capital. This loan was eventually sold to Capital Crossing Bank (now known as Aurora Bank). Based on the Aurora's latest status report, the owners are current and submitting the required monthly loan repayments. Envision has also been the recipient of two grants from the Department of Conservation. One grant was awarded in 2005 and another grant was awarded in 2009. In both cases, grant funds were used to purchase specialized equipment for the production plant.

The loan request of \$550,000 is for the purchase of a rotary waste grinder, a granulator assembly line and other necessary equipment accessories. This equipment purchase will enable Envision to process high density polyethylene (HDPE) materials, especially the more difficult type, into a smaller grind/flake. Adding the new equipment line to the existing wash line and compounding equipment will allow Envision to produce and supply a smaller and more customized flake/pellet to its customers. The loan rate will be fixed at four percent (4%).

Based on communications with Envision's owners, the following diversion and job increases would occur as a result of this loan:

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	15,500	10,000	25,500
Jobs Created	36	8	44

(3) Summary

This project will assist in the implementation of CalRecycle's 2007 Strategic Directive #6 by providing an RMDZ loan to a company that uses a priority material (plastic waste).

This loan will also result in residual benefits to stakeholders and the State:

- The Zone Administrator for the Chino/Chino Hills RMDZ supports this project as it has the potential to increase local landfill diversion and create more jobs in the region.
- As this loan project contributes to the diversion of waste from the local waste stream, it will be assisting the local jurisdictions' compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.
- This project will help to strengthen and expand domestic markets for plastic waste, especially markets for recycled HDPE and other rigid container materials.
 - Dating back to October 2008, the demand and price for rigid scrap plastic has dropped, highlighting the need to expand domestic markets in the United States.
 - Although there is a strong U.S. demand for plastic resins, there is a lack of installed, technologically advance systems in existing manufacturing plants to efficiently sort, wash, and produce quality recycled flake/resins. The proposed RMDZ loan to Envision will enable the company to meet this need and process additional discarded plastic waste that would otherwise go to local landfills.